IHH Healthcare (IHH MK)

1Q26: Stable Fundamentals, Limited Upside

HOLD (Maintained)	
Share Price	RM8.89
Target Price	RM9.25
Upside	4.0%
Previous TP	RM8.25

Analyst(s)
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Highlights

- Earnings met our expectations but missed consensus. Softness in Singapore persisted, but this was more than offset by Turkiye and Malaysia.
- IHH has limited exposure to the Middle East conflict.
- Maintain HOLD but with a higher target price of RM9.25 (from RM8.25) as we roll over our valuations to 2027.

1Q26 Results

Year to 31 Dec (RMm)	1Q26	qoq % chg	yoy % chg	Comments
Revenue	6,553.0	(0.5)	4.1	
Singapore	1,338.0	(7.1)	(12.0)	Dragged by shift to public sector hospitals. But have seen stabilised in Apr.
Malaysia	1,196.0	(7.1)	7.0	Increased foreign medical patients from Indonesia from Singapore.
Acibadem	2,339.0	(1.3)	16.8	Acquisition, gestation of hospitals drive domestic patient volume.
Others	1,680.0	13.2	1.6	
EBITDA	1,442.0	(7.4)	7.1	
Singapore	353.0	(8.3)	(18.1)	
Malaysia	316.0	(13.7)	15.8	
Acibadem	499.0	(7.6)	37.8	
Others	266.0	(0.4)	(4.0)	
Net profit	528.0	0.0	2.7	
Core profit	459.0	(11.4)	8.0	Within our but below consensus expectations.
Margins (%)	%	qoq +/- ppt	yoy +/- ppt	
EBITDA	22.0	-1.7	0.6	
Core profit	7.0	-0.9	0.3	

Source: IHH, UOB Kay Hian

Analysis

- **Within our expectations, but disappointed consensus.** IHH Healthcare (IHH) posted a 1Q26 core profit of RM459m (-11.4% qoq, 8.0% yoy). This is within our expectations but below consensus, accounting for 23% and 21% of forecasts respectively. Core profit has been adjusted for net monetary gain (RM229m) and deferred tax debits (-RM147m). Turkiye operations were a standout as the softness in Singapore was offset by Malaysia.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	24,383.0	25,745.0	28,971.0	31,724.0	34,993.1
EBITDA	5,542.3	5,327.8	4,924.1	5,128.7	5,028.2
Operating profit	4,520.9	4,282.0	3,851.8	4,027.8	3,897.0
Net profit (rep./act.)	2,657.0	2,101.0	2,066.0	2,381.3	2,514.8
Net profit (adj.)	1,684.8	1,818.0	2,066.0	2,381.3	2,514.8
EPS	19.2	20.7	23.6	27.2	28.7
PE	46.3	42.9	37.7	32.7	31.0
P/B	2.6	2.6	2.5	2.4	2.3
EV/EBITDA	18.2	17.6	15.0	13.9	12.8
Dividend yield	0.4	0.4	0.4	0.5	0.5
Net margin	10.9	8.2	7.1	7.5	7.2
Net debt/(cash) to equity	37.9	38.7	29.5	20.6	10.0
Interest cover	7.0	6.0	5.8	6.5	10.7
ROE	10.1	8.0	7.7	8.7	9.0
Consensus net profit	n.a	n.a	2,227.6	2,560.1	2,977.7
UOBKH/Consensus (x)	n.a	n.a	0.9	0.9	0.8

Source: IHH Healthcare, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Healthcare
Bloomberg ticker	IHH MK
Shares issued (m)	8,836.2
Market cap (RMm)	70,777.6
Market cap (US$m)	16,747.3
3-mth avg daily t'over (US$m)	16.4

Price Performance (%)

52-week high/low				RM10.48/RM6.42
1mth	3mth	6mth	1yr	YTD
10.5	22.9	17.6	10.2	9.7

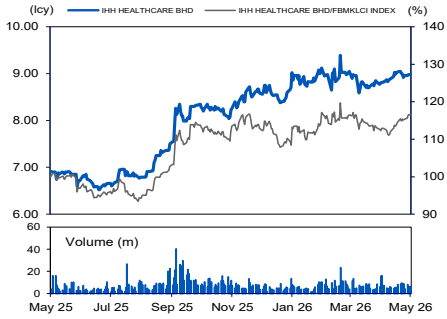
Major Shareholders %

Mitsui & Co.	32.7

Balance Sheet Metrics

FY26 NAV/Share (RM)	3.58
FY26 Net Debt/Share (RM)	1.02

Price Chart



Source: Bloomberg

Company Description

IHH Healthcare provides healthcare services. The company operates hospitals as well as medical centres, clinics and ancillary healthcare businesses across multiple countries, including Singapore, Malaysia, Turkey, India and Hong Kong.

1Q26 Operating Stats

Year to 31 Dec	26Q1	qoq % chg	yoy % chg	Comments
Revenue intensity				
Singapore (SG$)	19,683	(0.9)	(3.5)	
Malaysia (RM)	13,446	13.0	18.6	Anchored by foreign medical tourists.
India (INR)	8,966	(4.1)	5.1	
Acibadem (TRY)	162,778	17.2	47.5	
Patient volume growth yoy (%)				
Singapore	13,400	0.8	(7.5)	Structural shift + lower foreign medical tourists
Malaysia	60,277	(11.0)	(3.4)	
India	89,211	3.5	13.7	
Acibadem	75,553	1.7	13.1	Supported by gestation of hospitals and consolidation of acquisition.

Source: IHH

- **Singapore drags, Malaysia shields.** Top-line of its Singapore operations contracted sharply (-12.0%) due a structural shift in local patients opting for higher public healthcare utilisation and fewer Indonesian patients due to the depreciating rupiah. Inpatient admission declined 7.5% yoy amid easing revenue intensity (-3.5% yoy). This culminated in operational earnings contracting sharply by 18.1% yoy. In Malaysia. 1Q26 revenue grew by 7.0% yoy as revenue intensity (+19% yoy) offset softened inpatient admission (-3.4% yoy), anchored by increased medical tourism contributions. EBITDA contributions grew by 15.8% yoy on the back of enhanced margins (+2.0ppt).
- **Acibadem continues to deliver.** Acibadem's revenue grew by 17% yoy (45% yoy on constant currency terms), lifted by a 28% yoy increase in revenue intensity amid inpatient volume growing by 13%. This was underpinned by the consolidation of Bayindir Healthcare (acquired in Jul 25), gestation of Acibadem Kartal & Vitosha, and robust domestic demand. Meanwhile, EBITDA earnings grew 38% yoy. Notably, Middle Eastern patients account for only ~1% of Acibadem's revenue, limiting IHH's direct exposure to the ongoing regional conflict.
- **India strength offsets China softness.** India's revenue was largely flat (-1.0% yoy), but grew 18% yoy on constant currency terms, driven by higher inpatient admissions (+14% yoy) and improved revenue intensity (+5% yoy). EBITDA rose 6% yoy (+26% yoy on constant currency terms), with margins expanding 1ppt to 20%, supported by the ongoing Fortis–Gleneagles integration, clinician hiring, management changes and platform synergies across procurement and IT. Greater China revenue declined 5% yoy while EBITDA fell 31% yoy amid softer profitability. Nevertheless, China operations have stabilised, supported by the Shanghai clinic restructuring, and improved Parkway Shanghai Hospital volumes. Hong Kong has also achieved PATMI breakeven in Dec 25 despite the seasonal softness.

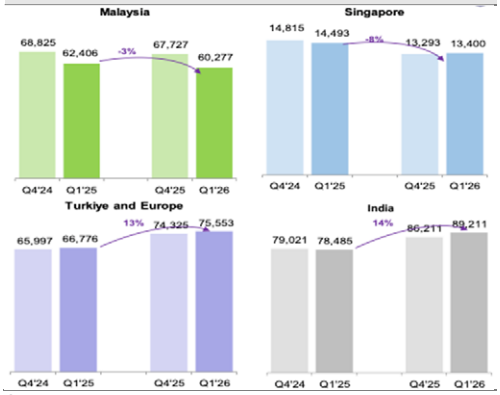
Valuation/Recommendation

- **Maintain HOLD with a higher SOTP-based target price of RM9.25** (from RM8.25) as we roll over our valuations to 2027. Our valuation implies 34.2x 2027F PE, or about -0.5SD below its five-year mean. IHH's brownfield- and extension-led expansions across key markets are expected to sustain growth over the medium term. The group has also worked to de-risk operations and capture cost synergies in Türkiye and India, which are now yielding tangible benefits. However, should the market turn risk-on, we expect the more defensive IHH to underperform its higher beta-oriented peers despite the former's solid fundamentals.

Earnings Revision/Risk

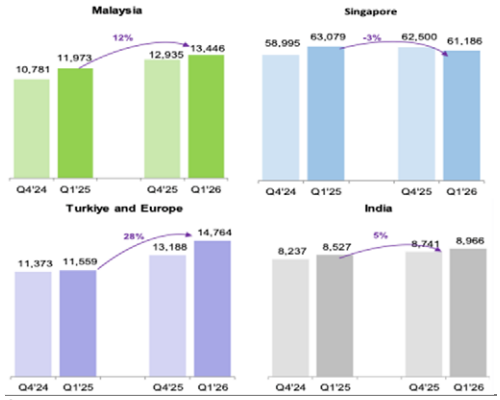
- Our earnings forecasts remain unchanged. Key downside risks are: a) execution risk, and b) heightened regulatory hurdles.

Inpatient admission volumes



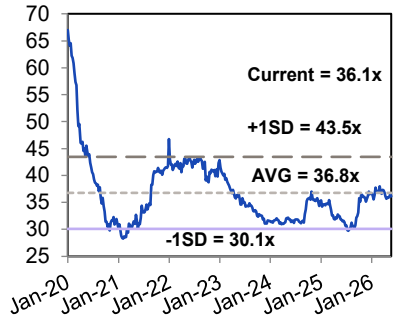
Source: IHH

Average revenue per inpatient admission



Source: IHH

IHH's Five-year PE Band



Source: Bloomberg, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- Waste management. 15% of non-scheduled waste generated was diverted from landfills in 2020. Ensures that all medical waste and other toxins are treated before discharge or incinerated to protect public health.

Social

- Diversity & inclusion. Hiring practices are non-discriminatory and equal opportunity is practiced at the workplace.

Governance

- Board composition. IHH has a majority of Independent Non-Executive Directors (INED) on the board. INEDs make up 54% of the board composition.

Source: IHH Healthcare, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	25,745	28,971	31,724	34,993
EBITDA	5,328	4,924	5,129	5,028
Deprec. & amort.	1,046	1,072	1,101	1,131
EBIT	4,282	3,852	4,028	3,897
Associate contributions	32	36	40	44
Net interest income/(expense)	(886)	(852)	(793)	(470)
Pre-tax profit	3,428	3,036	3,275	3,471
Tax	(821)	(686)	(602)	(667)
Minorities	(506)	(284)	(292)	(290)
Net profit	2,101	2,066	2,381	2,515
Net profit (adj.)	1,818	2,066	2,381	2,515

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	17,665	12,287	12,648	13,029
Other LT assets	33,295	37,517	36,611	37,012
Cash/ST investment	1,595	3,341	4,904	5,375
Other current assets	5,062	6,364	6,827	7,410
Total assets	57,617	59,508	60,990	62,826
ST debt	5,598	5,598	5,598	940
Other current liabilities	5,596	6,610	7,315	8,402
LT debt	7,734	7,000	6,000	7,814
Other LT liabilities	2,433	4,588	4,588	6,338
Shareholders' equity	30,303	31,336	32,527	33,784
Minority interest	3,798	4,376	4,963	5,548
Total liabilities & equity	55,462	59,508	60,990	62,826

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	5,574	5,458	5,694	6,241
Pre-tax profit	3,428	3,036	3,275	3,471
Tax	(659)	(686)	(602)	(667)
Deprec. & amort.	1,911	2,272	2,401	2,881
Associates	(32)	(36)	(40)	(44)
Working capital changes	414	394	241	504
Non-cash items	886	852	793	470
Other operating cashflows	(374)	(374)	(374)	(374)
Investing	(3,694)	(1,248)	(1,301)	(1,355)
Capex (growth)	(3,446)	(1,352)	(1,402)	(1,452)
Investments	(236)	0	0	0
Others	(12)	104	100	96
Financing	(1,675)	(2,465)	(2,829)	(4,415)
Dividend payments	(1,112)	(1,033)	(1,191)	(1,257)
Issue of shares	0	0	0	0
Proceeds from borrowings	994	(734)	(1,000)	(2,844)
Others/interest paid	(1,557)	(698)	(638)	(314)
Net cash inflow (outflow)	205	1,746	1,564	471
Beginning cash & cash equivalent	1,510	1,595	3,341	4,904
Changes due to forex impact	(120)	0	0	0
Ending cash & cash equivalent	1,595	3,341	4,904	5,375

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	24.1	21.1	20.3	19.4
Pre-tax margin	13.3	10.5	10.3	9.9
Net margin	8.2	7.1	7.5	7.2
ROA	3.2	3.6	4.0	4.1
ROE	5.4	6.1	6.7	6.7
Growth				
Turnover	5.6	12.5	9.5	10.3
EBITDA	-1.0	-1.1	5.0	5.4
Pre-tax profit	-8.7	-11.4	7.9	6.0
Net profit	-20.9	-1.7)	15.3	5.6
Net profit (adj.)	7.9	13.6	15.3	5.6
EPS	7.9	13.6	15.3	5.6
Leverage				
Debt to total capital	39.1	35.3	30.9	22.3
Debt to equity	44.0	40.2	35.7	25.9
Net debt/(cash) to equity	38.7	29.5	20.6	10.0
Interest cover	6.0	5.8	6.5	10.7

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